

Social Credit, Experiment in Lunacy

ONCE MORE, THE GRAND ILLUSION



JULY 1962

Reprinted from the editorial page of

WINNIPEG FREE PRESS
WINNIPEG 2 - CANADA

(Extra copies, if available, 10c each)

NEW INTEREST IN AN OLD STORY

By P. M.

THE election to Parliament on June 18 of 30 Social Credit candidates, and the emergence of Mr. Real Caouette as an old-time, dyed-in-the-wool Social Crediter, have resulted in a resurgence of interest in Social Credit and what it stands for.

Undoubtedly there are some Canadians who believe that Social Credit, as a political force, sprang fully formed from the soil of Alberta back in 1935. That, of course, is far from the case. The doctrines and theories of Major C. H. Douglas, an Anglo-Scottish engineer, had been expounded in the United Kingdom, in parts of the United States, and in the Commonwealth since shortly after the First World War.

In most places they attracted little attention or interest. But one area in which the seed did not fall on barren ground was the province of Alberta. From 1922 onwards, the writings of Major Douglas were favorably and extensively publicized by the United Farmers of Alberta (which formed the Alberta government prior to 1935), both in the UFA newspaper and by UFA leaders. Some UFA locals had discussed Social Credit monetary theory and some discussion groups operated in Calgary and Edmonton.

The seed had been planted. But it remained for William Aberhart, a Calgary high school principal and high powered radio evangelist to reap the harvest.

"Bible Bill" Aberhart discovered Social Credit in 1932. But long before then he had a tremendous personal following in Alberta through his role as a radio evangelist in the mid-1920s. His many thousands of listeners formed themselves into groups and entered into regular relations with Mr. Aberhart's organization, the Calgary Prophetic Bible Institute. Thus, when in 1932 he began to introduce Social Credit theory (or at least his version of Social Credit theory — there were some points on which he disagreed violently with Major Douglas) into his radio talks, he had a large and receptive audience.

The result of Mr. Aberhart's vigorous propagandizing and his eloquent promises of pie-in-the-sky ("a \$25 a month dividend for everybody"), was that in the Alberta election of 1935 Social Credit captured 56 of the 63 seats in the Legislature. Its success has been attributed to three factors: the depression and its effects on rural Alberta; the weakness of the United Farmers government; and the evangelical appeal of Social Credit as expounded by Mr. Aberhart.

A Social Credit government has remained in office in Edmonton to this day. Yet no Social Credit government in Alberta has been successful in implementing any Social Credit promises. The early years of the Aberhart government were years of failure as far as Social Credit was concerned.

No \$25 a month dividend was ever paid. Thirteen provincial acts passed in 1937 and the years following were declared illegal by the courts or disallowed by the federal government. These included legislation to repudiate Alberta's provincial debt, to cancel land mortgages, to issue provincial paper money, to give the provincial government control of the press. In 1946 the Alberta bill of rights was found unconstitutional by the Privy Council in London.

Yet with all its failure to fulfil the promised Social Credit reforms, Social Credit has never come close to being beaten in an Alberta election. The reason for this appears to be the Social Credit government's ability to adapt itself to changing conditions. As Major Douglas and Mr. Aberhart conceived it, Social Credit was a radical movement. It was the Douglas belief that if a nation's economy was to function properly, the state must take over control of the monetary system, it must issue "social credit" in the form of a national dividend (based on the real wealth of the country), and it must prevent inflation by arbitrarily setting prices for goods.

These theories caused Social Credit to be shunned by business and industry. But, as the years went by, as orthodox Social Credit theories went out the window, the Alberta government changed into an ultra - conservative regime, vigorously opposed to socialism and Communism, but the friend of big business.

As a result, when in 1952 in British Columbia a long-standing anti-socialist coalition of Liberals and Conservatives fell apart, a Social Credit government was elected. The CCF party almost formed the government, but traditional dislike of business for the socialist party was enough to keep the CCF from getting a majority. The Social Credit victory was confirmed in the provincial election of the following year. Like the Alberta government, the Bennett government in British Columbia has been largely conservative and orthodox. The one earth-shaking exception to this policy was the recent takeover by the Bennett government — in the best socialist manner — of private power companies in British Columbia.

Although it has continued to show real strength in the far West, not until this year has Social Credit shown significantly elsewhere. In the federal election of 1935, 17 Social Credit members went to Ottawa. Social Credit representation in Parliament fluctuated from then on — 10, 13, 10, 15, up to 19 in 1957, down to zero in 1958.

In the next Parliament there will be 30 Social Credit members — more than ever

before. But only four come from the West — Social Credit's traditional stronghold; 26 come from Quebec. And they, to judge by the statements of their leader, Mr. Caouette,

have little in common with their more politically sober colleagues from the West. They appear to be Social Crediters of the old stripe, of the days of Mr. Aberhart.

FOR THE LAZY AND THE IGNORANT

By P. M.

WHEREIN lies Social Credit's appeal? For appeal it certainly has. The fact that in 27 years a Social Credit government in Alberta has failed dismally to implement any of the promised Social Credit reforms has not apparently diminished the appeal of Social Credit theories for some people.

Perhaps the greatest appeal of Social Credit is to the lazy and ignorant. Not for most Social Credit followers the hard work of trying to understand political and economic theories. Their philosophy is one of trust — trust in leaders who say they know the answers.

When the father of Social Credit, Major C. H. Douglas, was called to Alberta by newly-elected Premier William Aberhart, he talked with J. B. McGeachy, well-known Canadian newspaperman. According to Mr. McGeachy, Major Douglas told him: "Aberhart has blown the trumpets, beaten the drums and persuaded the people to make the emotional decision that they want Social Credit. Of course they

don't understand it; neither does he. But he doesn't have to. He steps aside now and lets the experts take over."

This essentially was Mr. Caouette's appeal in Quebec in the June elections. Voters did not have to know what Social Credit was about; it was enough to elect Social Credit members (most of whom clearly know little more about Social Credit than the people who elected them) and let the experts like Mr. Caouette take over.

There are also similarities between Mr. Caouette and the late Mr. Aberhart. Both promised their supporters money for nothing, in the best Douglas tradition. But while Mr. Aberhart talked about \$25 a month, Mr. Caouette talked equally glibly about \$100 a month. Mr. Aberhart was, and Mr. Caouette is, on the platform eloquent to the point of demagoguery. Mr. Aberhart skilfully used radio to reach as many people as possible. Mr. Caouette, with equal skill, used television for the same purpose.

Social Credit's economic appeal basically is that of getting something for nothing. And all the charts and graphs and theorems in the world cannot disguise this fact. That they do not understand how this economic paradise is to be wrought bothers the true Social Crediter not at all.

But if the Douglas economic philosophy is less than understandable (Mr. McGeachy has described it as having the same relation to economic fact as horoscope casting has to astronomy), the Douglas political philosophy is a downright nasty piece of work. Yet it too has its appeal — largely to the lunatic fringe of the far political right.

Major Douglas opposed Communism and socialism, but he was just as critical of some aspects of democracy. He abhorred the party system and believed that the voters should be organized into a "union of electors" which would permit individuals to talk directly to their representatives in Parliament.

He also worked out a theory that the march of world events could be understood only in terms of a great conspiracy by international bankers. This conspiracy was aimed at domination of the world, and it worked through international Communism, international capitalism, and the Masonic Order.

Major Douglas also believed that most international bankers were Jews and responsible for most of the world's ills. Social Credit thus started off with a built-in anti-Semit-

ism. In Canada this side of the movement showed up most strongly in the Union of Electors — the Quebec branch of Social Credit, of which Mr. Caouette was a member when he sat in Parliament from 1946 to 1949. The Union subsequently was disowned by Social Credit, but the party has never shaken off completely or successfully its anti-Semitic taint. And it is common knowledge that in Social Credit circles anything that smacks of internationalism, such as the United Nations, is beyond the Social Credit pale.

True Social Credit thus appeals to the credulous, the lazy, the ignorant, the politically vicious.

That does not, however, explain the continuation in power of Social Credit governments in Alberta and British Columbia. Plainly, the governments of these provinces are kept in office by a large number of voters who do not like socialism, for whom the two old parties have little appeal, and who see in their Social Credit governments administrations which have laid aside their "funny-money" ideas and are content to give sound, orthodox government.

This confidence in Social Credit does not, however, spill over from provincial into federal politics. In the June election only two Social Credit members were elected from Alberta, two from British Columbia. The reason for the lack of support that the party commands federally in the two western provinces may well be due to a lack of trust on the part of the voters.

The government of Alberta at least tried, from 1937 onward, to put into effect some Social Credit doctrines. That it was not successful was not from a lack of trying but simply because the provincial government was overridden in the courts and by the superior federal government. If Social Credit should ever come to power in Ottawa, the restrictions it would face in implementing some of its monetary and fiscal ideas would be fewer and weaker than those which thwarted Mr. Aberhart.

The thought of a Social Credit government in Ottawa, with full control of monetary policy, grinding out new money from the presses as it desired, should make anyone quail. For full-scale implementation of Social Credit theories — the theories that Mr. Caouette is so vigorously espousing — on a national scale could lead to only one thing in Canada. Not prosperity, as Mr. Caouette promises, but to inflation that would surpass anything any country has known since the German inflation after the First World War.

SOCIAL CREDIT AND MR. CAOUCETTE

By M. W.

OTTAWA: The Diefenbaker government now lives on the sufferance of Social Credit. This means, for practical purposes, that it is dependent upon Mr. Real Caouette, the leader of 26 Quebec Creditistes. Even Mr. Thompson, the official national leader, has characterized Mr. Caouette as a "firebrand." While his remark was undoubtedly intended as a compliment, it is not well calculated to allay the uneasy suspicion that the Creditistes are monetary reformers of a different temper from those who direct the governments of the two western provinces.

Mr. Thompson has also, of course, issued various reassur-

ing statements. He is quoted as saying in Red Deer: "They (the Creditistes) believe in the same things we do though they do present them in a little different way." One of the purposes of the Rouyn Social Credit "summit" was, obviously, to demonstrate that he and Mr. Caouette are like Damon and Pythias and that it is malicious knavery to suggest anything else.

There is no doubt that Mr. Caouette does present things in a way that is arrestingly different. During his single term as a member of Parliament he denounced those opposing the adoption of "O Canada" as the national anthem as "enemies of the people." He also declin-

ed on one occasion to extend the traditional compliments to the seconder of the Address on the ground that "the seat of the honorable member . . . is stained with blood."

It is true that these were the remarks of a young and inexperienced MP. His current reputation as a firebrand does not suggest, however, that he has grown in tolerance of dissenting opinions. In any case it is not alone Mr. Caouette's manner of expression that troubles political observers. It is rather the fear that he combines impetuosity with a fervent faith in the validity of Social Credit theories.

It is not easy to define the differences between the Alberta Social Crediters and the Quebec Creditistes because Canadian monetary reformers have developed a sort of economic lingua franca which, no doubt, serves as a useful bridge between the old believers and the modern practitioners of the Bennett school.

The late Mr. William Aberhart, a school teacher by profession, felt a natural compulsion to simplify and popularize the rather obscure doctrines of Major C. H. Douglas and then to teach them to his generation of Albertans as he would have taught mathematics at Crescent High School. Every Albertan was therefore confronted with a variety of challenging concepts; the A plus B theorem, Basic Dividends, the Just Price, the Cultural Heritage and so on. The disadvantage of this presentation was that it gave the critics (including Major Douglas) clear targets at which to shoot.

Nowadays the old targets (except for national dividends) have been camouflaged by meaningless formulas. Mr. Caouette drew on this treasury when he said recently: "With a proper monetary policy, we can provide everything that is physically possible and morally right and desirable for our people." Mr. Thompson and western Social Crediters use the same formula. But what is "a proper monetary policy?"

The old A plus B theorem would have provided an answer of sorts. But no one talks now of the theorem. Instead the Social Crediters stress two dollar figures; one for national income and one for national production. They do not analyze them. They assert, without attempting to prove the proposition, that there is a true discrepancy between the totals which must be made up by the issue of debt-free money. It should perhaps be added that they have seldom been challenged on the subject. In the east Social Credit has not been taken seriously by the other parties; in the West, the impression has been widespread that it was no longer taken seriously by Social Crediters themselves.

So long as Mr. Caouette sticks to the jargon, he cannot be distinguished from his supposedly moderate colleagues of the West.

There is a further difficulty. Mr. Aberhart's latter day disciples have discovered that one does not have to talk about Social Credit to be a good Social Creditor. In Quebec, for

example, Mr. Caouette won political dividends by simple denunciation of the old line parties. Where there is a general atmosphere of frustration and discontent, argument may be far less effective than the repetition of rhetorical questions, "What have you got to lose?"

It is possible to follow Mr. Thompson's recent progress through the official hand-outs of the Social Credit Association of Canada. On this evidence, he denounced debt, deficits, inflation, high taxes, high prices, unemployment, "hand-out welfare," socialism, Communism and political expediency. He discussed a "Social Credit parity pool" for agriculture which seems to be related only in name to Social Credit. He spoke of "Social Credit economic reforms which have been proven in two major provinces" although he did not indicate, apparently, what was distinctively Social Credit about them.

Mr. Thompson did refer vaguely to the "financial and

trade reforms designed to avoid economic recession and debt," advocated over the past 25 years by his party. But these seem to have been mere ritualistic gestures. His general presentation, combined with the record of Mr. Manning in Alberta, was reasonably consistent with the view that Mr. Thompson is a Conservative by another name; a sheep in wolf's clothing.

But while Mr. Caouette would certainly endorse what Mr. Thompson has had to say, it is less certain that Mr. Thompson and Mr. Manning could endorse everything that Mr. Caouette has placed on record.

If Mr. Caouette was a simple opportunist, his position in Parliament would cause less apprehension. There is much in his career, however, to suggest that he believes unquestioningly in a much degenerated Social Credit doctrine and is resolutely determined to use his power to bend government to the Social Credit will.

AN ABERHARTIAN ANACHRONISM

By M. W.

OTTAWA: The story of Social Credit since the general election of June 18 is a fantastic melodrama of jubilation, disagreement, summit embrace, contradiction, caucus and formulas of reconciliation.

This astonishing performance has been commonly attri-

buted to personal rivalry between Mr. Caouette and Mr. Thompson. The Creditiste has now turned the tables on his victorious convention opponent by electing 25 supporters to Mr. Thompson's three. A former Conservative MP, who knew Mr. Caouette in the 1945-49 Parliament, suggested to

this writer that Mr. Thompson had "not the chance of a fly" of controlling his headstrong "follower."

It is apparently the view of those who accept this explanation as adequate that Mr. Caouette is a simple opportunist, without any deep convictions. They note as significant the fact that he was the choice of Mr. W. A. C. Bennett of British Columbia. Mr. Bennett, however, may have had reasons of his own for sponsoring the Quebec candidate (whatever the depth of Mr. Caouette's convictions) in opposition to Mr. Manning's entry, Robert Thompson.

It is also said that the Creditistes received financial and organizational aid from the Union Nationale. This is plausible. The Union Nationale is supposed to be disappointed with the Conservatives and might hope, by striking at the federal Liberals, to weaken the position of Premier Le Sage. Social Credit would no doubt return the favor in the next provincial election. Mr. Caouette is known to frown on Social Credit participation in provincial affairs.

This proves nothing about Mr. Caouette's beliefs. His disinterest in Quebec City and his preoccupation with the Bank of Canada are probably two sides of the same coin. Social Credit, as Mr. Aberhart discovered, can be implemented only in the federal field.

According to a well-placed French Canadian Liberal, fresh from the electoral battle, at least half a dozen

of the victorious Social Credit candidates are in personal financial difficulties and would be reluctant to face an early election. But in the controversy within the party it has been Mr. Thompson, the Albertan, with the public support of two Alberta ministers, who has called for support of the Diefenbaker government.

Mr. Caouette, meanwhile, has been issuing dire warnings. He vowed, before the announcement of the emergency measures, that the government would not last 60 days if it brought back tight money. He also said that "Diefenbaker will become a Socred within six months or else an election awaits him." After the announcement, which moved Mr. Thompson to the thought that the government had no other course and that one must "put Canada first," Mr. Caouette called the fixed bank rate "crazy"; forecast 1,500,000 unemployed next winter and said that the Quebec group would not support the program.

Mr. Thompson dismisses the second crisis in his party as the product of "different temperaments." According to a hastily devised formula, Mr. Diefenbaker could not do anything else "with the economic system we have now." But, in Mr. Caouette's words, "we must get off the beaten path." In other words, we must have done with the system.

How long can Mr. Thompson, with his soothing manner and his tranquillizing formulas, restrain his impetuous deputy? And why, if Mr.

Caouette is a simple opportunist, does he persist in creating difficulties which seem likely to harm his party and in the process to wreck his own political prospects?

The alternative view is that Social Credit disagreements reflect much more than personal rivalries. Mr. Caouette's election and post - election statements appear to be in harmony with the views he expressed in the House of Commons from 1946 to 1949. If held sincerely, they stamp him as a Social Credit fundamentalist, an Aberhartian anachronism in the modern party of Manning, Bennett and Thompson.

Mr. Caouette, who comes from a Liberal family, discovered the answer to Poverty in the Midst of Plenty on reading a Social Credit booklet in 1939. What he gleaned from this source was a highly simplified Douglasite doctrine which he proceeded to simplify even more.

"What we lack," said Mr. Caouette, speaking in the budget debate of 1948, "is money and nothing else. We have the man-power, the know-how. People are ready, backed by scientific knowledge and equipment . . . But the token that gives a right to the use of all those things is lacking."

If Mr. Caouette had any remaining doubts after the revelation of 1939, they were banished by the experience of war - time. "Some may ask: where will the money come from? Where did it come from during the war? Let's get it from the same source."

Mr. Caouette thinks, indeed, that Social Credit was partially implemented during the war because the government paid subsidies for production and afterwards introduced family allowances.

(It may be noted, parenthetically, that the reasoning is curious. The government certainly found the money during the war. Apart from storing up inflation — for which it is condemned by Mr. Thompson — it borrowed heavily. Mr. Caouette believes in debt - free money and used to wring his hands in Parliament over the enormous debt accumulated during the war).

In any event, the "We could do it in wartime" theme was one of his staple appeals to Quebec voters in the recent election.

Mr. Aberhart, who used to talk of the "cultural heritage," believed that he could issue credit against natural resources still unharvested or underground. Mr. Caouette was quoted on June 20 as saying: "According to our natural resource potential, there is no reason in the world why any Canadian should suffer misery or want."

"Our economy is standing still for the past five years and it has been stagnant because there just isn't enough money in circulation to buy everything we produce. Put more money in the hands of consumers and our problems will be solved."

Mr. Caouette finds it "silly" that Canadian individuals and corporations should have to go to the United States to borrow money. "If there isn't

enough," he says, "make enough." The solution is to increase the Bank of Canada's monetary supply instead of imposing extra taxes or resorting to deficits and borrowing.

It has been observed that Mr. Caouette, an automobile dealer, made a particular appeal to hard-pressed small business men and tradesmen in rural Quebec. He has a flair for reducing problems to everyday terms; indeed, he often appears to regard government as a vastly inflated small business. Last June he identified the two major problems as money and unemployment.

"Money because everybody is broke, especially the average wage - earner, and unemployment because there is a surplus of production and the consumer cannot absorb it because of lack of money."

There is some dispute as to whether the Creditistes actually promised \$100 dividends

or used them in the last campaign to illustrate their theory. But Mr. Caouette certainly used essentially the same argument that he used to advance in Parliament.

"If Canada is really and truly prosperous, why not grant dividends to this country's shareholders, to every one of its citizens? Companies do it for their own shareholders. Why cannot Canada do it for its shareholders, those who hold a stake in Canadian society?"

Mr. Aberhart used to maintain that: "You don't have to understand Social Credit to vote for it." The automobile salesman has improved on the high school principal. "When you buy a car," argues Mr. Caouette, "you don't want to know how many jets there are in the carburetor or how many teeth on the crown gear and pinion. You want to know if it's going to work. Social Credit will work."

MR. CAOUCETTE'S SOLUTIONS

By M. W.

OTTAWA: Mr. Real Caouette often manages to convey the impression that money is a good thing, and that, nationally speaking, you cannot have too much of it. According to a defeated Conservative — who may, of course, have been somewhat bitter —

the message that got through to Quebec rural voters was: if you want money, vote Social Credit.

At Laval last October, however, Mr. Caouette was more precise. "We are not," he said, "a money-making machine but we want no more, no less mon-

ey than there is production and the immediate disposal of production surplus. We feel that the available money should represent the exact production ability of the country."

This evidently is a matter of fine calculation; a job for experts who would also, no doubt, determine the amount of dividends necessary to bridge the supposed gap between the value of production and consumer purchasing power. The difficulty has not restrained Mr. Caouette from putting forward definite recommendations. In 1947 he called for the complete exemption from tax of incomes under \$3,000 (now \$4,000) and offered a variety of other proposals including the general distribution of \$100 cheques. Defending this suggestion, he said:

"People would be encouraged to work and produce more. I would tell them that, during the next six months, no new money will be issued; that they will earn their wages as usual, without anybody being socialized and that, at the end of that period, if they have produced more, they will be given more . . . If they cease producing and there be more money than products, money surpluses will have to be taxed where they lie."

There is not much evidence that Mr. Caouette has been troubled by the usual criticisms of Social Credit theory. What has, apparently, bothered him is the thought that dividends might make people lazy. Hence his fierce insistence that "a lazy millionaire

has never been seen in Canada."

The Aberhartians of a generation ago accepted not only the A plus B analysis but also the notion of a great conspiracy of bankers and money-lenders denying the people their rightful inheritance. This latter idea dominated the minds of the "Douglasites," whom Mr. Manning purged, and also infected the Quebec Union of Electors to which Mr. Caouette belonged until the angry parting a few years ago.

It obviously infected Mr. Caouette.

"In a country like ours," he said on May 7, 1947, "wealth cannot be distributed as long as it is held by those who 'control' the economic life blood; those who want, by all means, to create destitution in the midst of abundance; who wish to keep the people in a state akin to slavery."

Why destitution and bad business would pay the bankers better than prosperity and good business, Mr. Caouette did not explain.

His present views in this respect are obscure but his conviction that commercial bankers cannot be trusted "to create money on credit" has not been shaken by the internal controversies within Social Credit ranks.

Mr. Caouette linked the conspiracy with the Second World War, which perhaps explains his aversion to war service. "Money and credit," he maintained in 1947, "are controlled by the leaders who gave the signal for war in 1939, the leaders who started the de-

pression in 1929. Those who control credit and money are responsible for the last ten years and for World War II."

Although opposed for the present to separatism, he is a fiery French Canadian nationalist. According to his colleague, Dr. Guy Marcoux, the Creditistes will form a solid bloc to defend French Canadian interests. They will seek an entente cordiale and "find out once and for all if English-Canadians are sincere." What if they are disappointed? "If Social Credit does not implement its program of fiscal and financial reform and give French-speaking elements the same rights as English Canadians," said Mr. Caouette last December, "I shall become the greatest propagandist for the total and complete independence of the province of Quebec."

He plans at the next session to present bills dealing with a national flag and anthem. "We are willing," he said a few days ago, "to force an election on these issues."

Mr. Caouette refers to himself as "co-leader" and the Social Crediters claimed in the recent election to be the only party which recognized French claims through this dual leadership. He has since said that, in a Social Credit government, he would be "co-prime minister."

A note of isolationism and dislike of foreigners sounds repeatedly through his speeches. In a speech last December he denounced foreign capital

as a device for the enrichment of foreigners at the expense of French-Canadians. At Laval he said: "Only when the national wealth of Canada is in Canadian hands, exploited by Canadians for the benefit of Canadians, can we achieve economic stability and freedom."

One may compare this with the reported comment of Mr. Manning, on December 28, 1960, that, but for the U.S. capital invested in the oil and gas industry, "Canada would not have had its boom of the past 12 years."

It is not surprising that Mr. Caouette, holding such views, should have reacted violently to the emergency measures. The government, he suggested mysteriously, should have used the Bank of Canada to create the credit needed to bolster the economy. It should not have gone to the United States to beg for money.

When Mr. Thompson spoke of the difference in "temperament" between himself and Mr. Caouette, he may perhaps have had in mind such statements as this, from a speech at Laval last October.

"Canadians," said Mr. Caouette, "must wake up and face the fact that they have to change things radically or face in the future a bloody revolt that will make a second Cuba out of this country."

If Mr. Caouette is to Mr. Thompson as Mr. Nasser was to Mr. Neguib, Mr. Diefenbaker may be in for sleepless nights when Parliament is called into session.

MR. BENNETT'S BIG DREAM

VICTORIA: At long last, or so he thinks, Premier W. A. C. Bennett's original strategy is paying off.

After supporting the Conservative party all his life and often running for office as its candidate, he left it in the belief that it was dying, that Social Credit would take its place. The Conservative party, in fact, was to be reincarnated under the new name of Social Credit, with some new financial trimmings but essentially as the old party of his youth.

This neat schedule was interrupted by the Conservative upsurge of 1957 and 1958, but only interrupted, as Mr. Bennett now thinks. He hears in the electoral disaster of June, 1962, the expected death rattle of one Conservative party and, in the politics of Quebec, the brave birth cries of another.

For the moment his Social Credit wave of the future is split three ways — the British Columbia segment, his personal machine; the Alberta segment under Mr. Manning, who distrusts and dislikes him; the Quebec segment under Mr. Caouette, his choice for national leader. More disturbing than the split is Mr. Bennett's own failure to elect more than two British Columbia Social Crediters to Parliament, his other candidates finishing at the bottom of the poll.

Mr. Bennett regards these difficulties as temporary. Always wrong in all his former

predictions, he is confident that Social Credit will emerge from the next national election as the established party of the right, perhaps as the government of Canada.

He has been a total failure in federal politics but, so far as elections are concerned, a brilliant success in provincial politics. Nevertheless, he has lately encountered grave trouble at home. The election of 10 New Democratic candidates in British Columbia's 22 seats was a warning which even the super-optimist of Victoria cannot ignore. If he called a provincial election tomorrow he might well lose it to the New Democratic party, the official opposition. Happily for Mr. Bennett, no election need be called soon.

Meanwhile the puzzled Canadian voter who is trying to estimate the prospects of Social Credit as a future national party must understand that its British Columbia wing stands quite apart from the other two. It is a separate entity, the invention of Mr. Bennett, and has nothing to do with Social Credit.

In the latter respect it differs historically from the Manning government which began, under the late Mr. Aberhart, as a sincere believer in Social Credit and became financially orthodox much later. Mr. Bennett never believed in Social Credit except as a label and convenient catch-all for his own financial theories. He has

never tried to understand and rejects the original doctrine of the late Major Douglas as a pleasant myth, useful for propaganda purposes but as unbelievable to grown-up voters as Santa Claus.

Yet Mr. Bennett, the provincial treasurer, is Santa Claus in person. He has given British Columbia the highest per capita expenditures ever known in Canada, the highest level of public services — and, of course, the highest rate of taxation and the highest debt. None of this has been achieved by Social Credit but by Mr. Bennett's own methods as learned in his Okanagan hardware stores and now expanded to the business of his province.

True, his bookkeeping methods are somewhat bizarre. Though his government's various agencies have borrowed about \$1.2 billion, with its guarantee, his books show no provincial debt and he is never tired of denouncing the ruinous debts of the federal government.

But no one takes that piece of fiction seriously. It has become only a genial family joke between the premier and the people who pay the cost of debt indirectly in electrical power rates, bridge tolls or ferry tickets.

Lately the joke lost part of its humor when Mr. Bennett was forced to raise the yield of many government - guaranteed, no-debt parity bonds to meet the competition of the federal government's high interest rates. A reckless adventure in what he calls debt - free borrowing has caught up

with Mr. Bennett. Now that he is seeking still more borrowed money for his many governmental investments his trouble is financial as well as political.

If huge debts and high taxes are the antithesis of Social Credit, Mr. Bennett's plunge into pure socialism is an even more striking heresy. While preaching against socialism day in and day out, while warning the people against the dangerous socialism of the New Democratic party, he has made himself the largest socialist in Canada. This is not a matter of opinion but a mathematical fact of record.

On taking office Mr. Bennett inherited the government-owned Pacific Great Eastern Railway, which he quickly extended to the Peace River country, despite its continuing deficits. Then he established along the coast one of America's largest automobile ferry systems, replaced the CPR on most of the runs between Vancouver Island and the mainland and finally bought another private system.

These socialist enterprises, large as they are, appear miniscule beside Mr. Bennett's sudden expropriation of the B.C. Electric, one of Canada's major public utilities, at his own dictated price, with no arbitration or appeal allowed.

Businessmen in other parts of Canada who wish to know how Social Credit is likely to treat private enterprise have a classic exhibit in British Columbia. The socialist masquerading as the enemy of socialism treats private enterprise

exactly as he pleases but, by a final irony, private enterprise supports him provincially because it is afraid of him and even more afraid of the New Democratic party. Nobody knows where he will strike next.

Actually his direct control of vast business concerns is only part of a much wider control exercised indirectly and surreptitiously over businessmen, large and small, through the

best organized political machine and patronage apparatus in Canada.

If he can put the three waves of Social Credit together, ease the distrust of Mr. Manning and tame Mr. Caouette a little, this is the system which Mr. Bennett intends to establish in Ottawa. And he must be excused if he thinks privately that he, the inventor, is the only man who could really run it.

MONEY, TIGHT OR LOOSE

By B. H.

FROM now on Canada will hear a deal of clamorous nonsense about "tight money." Mr. Caouette and the other happy primitives of Social Credit are making sure of that. Their peculiar obsession, leaping suddenly from Alberta to Quebec, must soon be drummed into the public ear from the central sounding board of Parliament, must ring shrilly throughout the land like a cracked bell.

But it may not be pressed so far as to force an inconvenient election. The moral passion against the central bankers' old conspiracy has been somewhat cooled, one would suppose, by the icy winds of Stormont.

It is easy to rail against "tight money" but what do those words mean? To the hot gospellers of Social Credit they mean, and have always meant

since Mr. Aberhart's great revelation, a public purchasing power insufficient to buy the nation's maximum output of goods. Such is the famous A-plus-B theorem of the late Major Douglas, an engineer who thought that nations could be built like bridges or highways by mathematical formulae.

Having thus falsely diagnosed Canada's economic malady, what cure does Social Credit propose? It proposes loose money. While this is never admitted, of course, it proposes a wholesale inflation of the currency.

The diagnosis is patently wrong because Canada, in the five years of the Diefenbaker government, has never suffered from "tight money." On the contrary, money has been extremely loose. The government has spent so much more

than it collected in taxes that its deficits have finally precipitated a foreign exchange crisis. Not only has it borrowed massively from the existing money supply but it has expanded the supply, in two big doses and many little ones, to the danger point, or beyond.

Yet all this frenzied finance has failed to produce the results guaranteed by such monetary magicians as Mr. Caouette. With money loose enough to destroy the world's confidence in Canada, the national economy has not expanded but, on a per capita basis, has actually contracted since 1956. The basic fallacy of Social Credit has been given classic demonstration, at a cost by no means fully paid so far.

Nevertheless, Social Credit demands still looser money on the cry that we have not pushed the experiment far enough. If prosperity and full employment could be produced by the simple act of expanding the money supply in wartime, why can't they be reproduced by the same method now? This is Mr. Caouette's theme song to which his hostage, the Diefenbaker government, must listen politely lest he lose patience and defeat it in Parliament.

A moment's examination of the facts will show, first, that wartime prosperity was not produced by loose money and, second, that loose money, as an unavoidable evil, produced post-war inflation with a cruel rise in prices, a fall in the value of all fixed savings.

Canada prospered during the war mainly because its goods of all sorts were in unlimited demand among its allies. In

order to supply that demand the government deliberately curtailed the demand of Canadians by taxing them unmercifully, by borrowing their savings and finally rationing goods in especially short supply.

Even those measures were not adequate. Unable to secure enough money through taxes and borrowing, the government was compelled to inflate the currency. It postponed the inevitable result for the moment, and the moment only, by direct control of prices and wages — in fact, the apparatus of the entire economy.

As soon as the wartime controls were removed and a dam of tissue paper collapsed, prices surged up to express the surplus supply of money as water seeks its own level. A second rise followed a second war, in Korea.

If, therefore, Social Credit proposes to do what we did in wartime it must mean that we should drastically increase taxes, compel all Canadians to save by law, inflate the currency and control wages and prices until the frail dam breaks again. That, precisely, is what we did in wartime and had to do, but even assuming that it would be tolerated by the people now, our basic circumstances have changed to make the wartime method irrelevant.

No longer can we command the unlimited markets of wartime, at almost any price we cared to ask then. We must sell in a competitive world market and if we cannot sell there all the domestic purchasing power that Social Credit promises to create by in-

flation would not begin to absorb our production, since much of it cannot be sold in Canada.

Are Canadians, with limited stomachs, to eat all their own foodstuffs, use all their own minerals and forest products? Are we to build our houses of pure nickel, for instance, or clothe ourselves in newsprint?

Once our dependence on foreign trade is recognized the whole magic of loose money

collapses. But, by a curious paradox, Social Credit pretends to favor unrestricted private enterprise and maximum trade which it would cripple by pricing our goods out of the world market.

The list of Canada's current problems is almost endless but its long and daunting expense account, now presented for payment, does not include "tight money."

